

PROPOSED RESOLUTION

Resolution W-5002
DWA/RSK/BMD/MCV/ds4

AGENDA ID #13230 (Rev. 1)
ITEM #8

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

DIVISION OF WATER AND AUDITS
Water and Sewer Advisory Branch

RESOLUTION W-5002
September 11, 2014

RESOLUTION

(RES. W-5002), NORTH GUALALA WATER COMPANY. ORDER APPROVING MANDATORY WATER CONSERVATION PROGRAM UNDER TARIFF RULE AND SCHEDULE 14.1 AND ESTABLISHMENT OF MANDATORY WATER CONSERVATION MEMORANDUM ACCOUNT. ORDER ALSO DIRECTS NORTH GUALALA WATER COMPANY TO COMPLY WITH THE STATE WATER RESOURCES CONTROL BOARD'S DROUGHT EMERGENCY WATER CONSERVATION REGULATIONS.

SUMMARY

By Advice Letter 83-W filed on February 13, 2013, and supplemental Advice Letter 83-W-A filed on November 25, 2013, North Gualala Water Company requests approval of its Mandatory Water Conservation Program under Tariff Rule and Schedule 14.1 and establishment of a Mandatory Water Conservation Memorandum Account. North Gualala Water Company's proposed Mandatory Water Conservation Program is part of the water supply contingency plan required by the State Water Resources Control Board's Order WR 2009-0036¹ to comply with the water use restrictions imposed on the two water wells located near the North Fork Gualala River per water rights permit 14853.

This Resolution approves North Gualala Water Company's Mandatory Water Conservation Program with an increased fine amount for water use violations from \$25.00 to \$50.00, and Mandatory Water Conservation Memorandum Account to record monies collected from water use violation fines, incremental costs, and lost revenues resulting from implementation of its Mandatory Water Conservation Program.

This Resolution directs North Gualala Water Company to comply with State Water Resources Control Board's Drought Emergency Water Conservation regulations² by

¹ June 9, 2009, Order Approving Settlement Agreement and Imposing Terms for Cease and Desist
http://www.cpuc.ca.gov/NR/rdonlyres/DF07FD1A-2FA6-411D-A03C-8A1DADA9B941/0/Standard_Practice_U40W_2014_wo.pdf

² California Code of Regulations, title 23, sections 863, 864, and 865.

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enforcing the water use restrictions contained in the regulations and applying the same process to assess and collect fines for water use violations as those being approved for its Mandatory Water Conservation Program. Authority is also granted to North Gualala Water Company to record expenses resulting from the enforcement of this regulation in its Mandatory Water Conservation Memorandum Account for future Commission disposition.

BACKGROUND

North Gualala Water Company (North Gualala) is a Class C water utility with 1,050 metered service connections (920 residential and 130 commercial service connections). North Gualala serves the community of Gualala and vicinity in Mendocino County, approximately 15 miles south of the city of Point Arena.

North Gualala obtains part of its water supply from two coastal streams, Robinson Gulch and Big Gulch, and has a surface water treatment plant for treating this supply. North Gualala's additional source of water supply comes from two wells (wells #4 and #5) located in Elk Prairie along the North Fork Gualala River. This source of supply has restricted water rights use per the State Water Resource Control Board (SWRCB) permit 14853 due to the potential impact the drawing of water from these wells can have on fisheries on the North Fork Gualala River when the water flow rates are at or below the following flow levels:³

- 40 cubic feet (cfs) from November 15th through February 29th;
- 20 cfs from March 1st through May 31st; and
- 4 cfs from June 1st through November 14th

North Gualala's existing Tariff Rule 14.1, Water Conservation Rules containing the "non-essential" or unauthorized water uses, was approved on April 7, 2011 by Advice Letter (AL) 77-W.

By AL 83-W North Gualala requested approval of its proposed Staged Mandatory Water Conservation and Rationing Plan (SMWCRP), under Schedule 14.1, containing both mandatory water rationing and water use restrictions with penalties for non-compliance with the required water rationing percentage amounts and use restrictions. Customer feedback received during the public meeting held on April 25, 2013 resulted in analysis of customers' water use over the last six years (2008 through 2013). This

³ Id.

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analysis indicates that water rationing may not be practical or feasible for the North Gualala community due to the current low water use by customers. North Gualala therefore removed the rationing component from its proposed SMWCRP and converted the program into a Mandatory Water Conservation Program (MWCP) with mandatory water use restrictions on “non-essential” water uses and fines for violating those restrictions.

North Gualala consulted with the staff from the SWRCB and Division of Water and Audits (Division) in developing the revised MWCP which it filed in AL 83-W-A.

By AL 83-W-A North Gualala also requests authority to establish a Mandatory Water Conservation Memorandum Account (MWCM) to record monies collected from water use violation fines and incremental costs associated with the implementation of the MWCP.

Drought Procedures for Water Conservation and Rationing

Resolution (Res.) W-4976 adopted water conservation and rationing procedures for Class A and B Commission regulated water utilities which are contained in Standard Practice (SP) U-40-W.⁴ By Res. W-4976 water utilities would achieve water conservation through implementation of voluntary measures or more restrictive mandatory rationing. The mandatory rationing is based on past water usage. However, Res. W-4976 exempts Class C water utilities such as North Gualala from these rules. Furthermore, given the already low water use by North Gualala customers, a rationing type of program based on past usage is not practical, nor is such a program reasonable given public health concerns.

For these reasons, the Division agrees that the rationing component of North Gualala’s originally proposed SMWCRP may not be reasonable or achieve additional water savings. Instead, the Division supports North Gualala’s request to implement the revised MWCP as described below. The MWCP restricts water usage for certain water activities such as restrictions on irrigation of outdoor plants, lawns, and landscapes, and on washing buildings or street cleaning. The complete list of the water use restrictions is included in Appendix A of this resolution.

⁴ Procedures for Water Conservation, Rationing and Service Connection Moratoria.
http://www.cpuc.ca.gov/NR/rdonlyres/DF07FD1A-2FA6-411D-A03C-8A1DADA9B941/0/Standard_Practice_U40W_2014_wo.pdf

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Adoption of North Gualala's MWCP does not preclude North Gualala from ensuring that water efficiency and conservation measures such as low water flow shower heads and toilets, and leak repairs in accordance with its existing Water Conservation Rule 20 are fully employed. North Gualala in communications with its customers should continue to inform customers about the availability of water-savings kits and other water saving measures.

NOTICE AND PROTEST

AL 83-W and AL 83-W-A were served in accordance with General Order (GO) 96-B on February 11, 2013 and November 19, 2013, respectively. On March 28, 2013, North Gualala provided a customer notice of its proposed SMWCRP and public participation meeting.

One comment letter was filed on AL 83-W by the SWRCB objecting to the program trigger for implementing North Gualala's proposed SMWCRP, which was based on a water flow rate averaged over a period of thirty (30) days and dependent on the results obtained from implementing voluntary conservation measures prior to triggering the SMWCRP. As previously noted, staff from SWRCB collaborated in the development of the company's revised MWCP, including the new program trigger discussed in more detail in the discussion section of this resolution. The program trigger issue raised by SWRCB in its protest has therefore been resolved and is no longer an issue for the revised MWCP and should be dismissed.

Consistent with drought procedures adopted by Res. W-4976 for water conservation and rationing programs, a public participation meeting to discuss North Gualala's proposed SMWCRP was held on April 25, 2013 at the North Gualala's business office conference room located at 38958 Cypress Way in North Gualala. The meeting started at 6:00 PM, and approximately fifty-one (51) customers attended the meeting. North Gualala representatives provided an overview of the water supply contingency plan required by the SWRCB which includes developing alternative source(s) of supply to meet the company's water demand when the water flow levels on the North Fork Gualala River reach the restricted levels. Staff from the Division and North Gualala representatives explained the company's existing voluntary water conservation program under Tariff Rule 14.1 and proposed SMWCRP under Schedule 14.1. Customers were then given an opportunity to ask questions and provide their comments regarding the company's proposed SMWCRP.

The main concern raised by customers was on the water rationing component of the program and their inability to further reduce their water use to meet the required rationing percentage amounts, given the customers' existing low water use. Customers also raised questions about the proposed methodology for calculating customers' baselines and the fairness of requiring additional rationing from customers that have

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already been conserving water and as a result would have a lower water use baseline. North Gualala's customers owning businesses, such as bed and breakfast and hotels in the area, also expressed concerns about the practicality of demanding rationing from customers, and the potential economic impact this could have on their businesses. The rationing issue has been addressed by North Gualala's removal of the rationing component from its originally proposed SMWCRP. Division staff and the North Gualala representatives answered questions until approximately 8:00 PM.

DISCUSSION

Division does not believe that water rationing alone would address North Gualala's water supply issues and/ or the restrictions the SWRCB has imposed on the water supply wells (wells #4 and #5) at the North Fork Gualala River. North Gualala will ultimately need to find alternative water source(s) of supply to meet its water demand, which SWRCB is requiring as part of the company's water supply contingency plan. This issue however is beyond the scope of North Gualala's request and this resolution.

Water Consumption

Division analyzed the amount of water North Gualala delivered to its customers from 2008 through 2013 from the company's annual reports and found that customers' water use has decreased from 170 to 126 gallons per day per service connection during this period. Customers therefore have reduced their water demand or consumption by 26.11% during this time period. Furthermore, such low water usage begins to raise public health concerns as average water usage has decreased to about 50 gallons per day per customer which approximates the amount of water needed to meet public health standards. The data also shows that North Gualala customers have significantly lower water use compared to the average use for the northern California coastal region, indicating that a rationing type of program may not be suitable for this community. Division staff compared North Gualala's customers' water use to the average water use for customers in the northern California coastal region as reported by California Department of Water Resources (DWR) in its California Water Plan Update 2013 and found that North Gualala customers' water consumption is significantly lower. DWR reports an average water use baseline for the northern coastal region of 160 gallons per capita per day (gpcd)⁵ compared to North Gualala's customers' water usage of approximately 50 gpcd, based on 2013 average water usage of 126 gallons per service connection (assuming an average of 2 and 1/2 household members per household or service connection and 1,050 total service connections).

⁵ California Water Plan Update 2013, Chapter 3, Urban Water Use Efficiency, figure 1 at pg. 6.

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Mandatory Water Conservation Program

North Gualala's proposed MWCP was developed in collaboration with staff from SWRCB and Division following the guidance provided by the drought procedures adopted by Res. W-4976 and SP U-40-W⁶ for water conservation and rationing programs. As previously noted the proposed MWCP no longer requires water rationing, and instead imposes mandatory water use restrictions on "non-essential" water uses when the MWCP measures are in effect with penalties for violating those restrictions. The water use restrictions include restrictions on irrigation of outside plants, lawn, and landscape, or for washing buildings or street cleaning, etc. The complete list of the water use restrictions is included in Appendix A of this resolution. North Gualala's proposed restrictions on "non-essential" water uses are overall consistent with those provided in Appendix B of SP U-40-W and the SWRCB's recently adopted Drought Emergency Water Conservation (DEWC) regulations' measures⁷ except on the number of days allowed for outdoor irrigation by the DEWC regulations. North Gualala's MWCP would allow customers to do outdoor irrigation every other day, whereas the DEWC regulations limit outdoor to no more than two days per week.⁸ Division therefore recommends that North Gualala's MWCP's water use restriction on outdoor irrigation be modified to be consistent with the DEWC regulations and limit the outdoor irrigation to no more than two days per week. With this modification Division recommends approval of the MWCP's water use restriction included in Appendix A of this resolution.

The MWCP measures would go into effect when the daily water flow rate⁹ at the North Fork Gualala River stream falls to the following levels during the seasonal periods listed below:

- 41 cubic feet (cfs) from November 15th through February 29th;
- 21 cfs from March 1st through May 31st; and
- 4.25 cfs from June 1st through November 14th.

⁶ Id.

⁷ State Water Resources Control Board Resolution No. 2014-0038.

http://www.waterboards.ca.gov/board_decisions/adopted_orders/resolutions/2014/rs2014_0038_regs.pdf

⁸ Id.

⁹ The daily flow calculation will be based on the 15-minute flow data reported on the USGS website. For consistency with USGS methodology daily flow will be computed as a weighted average of 15-minute values during a 24-hour period, with readings at 00:00 to 24:00 each given a half weighting.

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The MWCP measures would remain in effect until the water flow rate at the North Fork Gualala River rises above the flow rate levels listed above for the first two seasonal periods and to the flow rate level of 4.50 cfs in the third seasonal period.

North Gualala proposes to activate and de-activate the MWCP measures through Tier 1 AL filings made to the Division. Per the guidance provided in drought procedures adopted by Res. W-4976, Tariff Rule 14.1 or voluntary conservation can be activated through a notification letter from the utility to the Division's Director, and Schedule 14.1 or stage mandatory rationing requires a Tier 2 AL filing.¹⁰ However, in this instance the filing of at Tier 2 AL is not a timely method for implementing the emergency restricted water usage as the decline in water flow levels may occur in a short-time frame. Furthermore, the use of Tier 1 AL filing reflects the request of the SWRCB for a more immediate method to trigger the MWCP. Therefore, Division finds North Gualala proposal to activate and de-activate its MWCP through a Tier 1 AL filing reasonable given that the proposed MWCP is not a rationing program and North Gualala needs to be able to activate the program expeditiously since the water flow levels at the North Fork Gualala River can fluctuate daily.

North Gualala proposes that after Commission approval of its MWCP under Tariff Rule and Schedule 14.1, the company will mail each customer a copy of the Tariff Rule and Schedule 14.1 containing information on the MWCP's restricted water uses and fines for water use violations. North Gualala will also make Tariff Rule and Schedule 14.1 available for customers on its website and business office. Division believes this is a good means of providing customers access to information on the water use restrictions and should be part of North Gualala's MWCP information disseminated to its customers.

North Gualala will notify customers when the MWCP is activated via same day posting on the company's website and through a phone call to each customer within 24 hours. North Gualala may provide additional notification via follow-up phone calls, bill insert, special mailing, poster, flyer, newspaper, television, or radio advertisement, community bulletin board, or other appropriate methods. However, under North Gualala's MWCP proposal it is up to the company's discretion whether to notify customers about the deactivation of the MWCP measures. However, in order that customers not be confused regarding whether the MWCP measures apply and to avoid potential disagreements over fines, North Gualala shall employ the same customer notification process for deactivation of the of MWCP measures as the process used to activate these measures

¹⁰ Res. W-4976, Findings and Conclusions 9 and 20.

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Customer Fines for Non-Compliance with Water Use Restrictions

Under the recently adopted SWRCB's DEWC regulations¹¹ water providers can assess fines of up to \$500 each day for violating the water use restrictions included in the regulation, which are discussed in more detail later in this resolution. Similarly, North Gualala also proposes fines for violations of the MWCP restrictions listed in Appendix A of this resolution; however these fines are lower than those of the SWRCB.

North Gualala will initially provide customers with a written warning for the first water use violation, then a \$25.00 fine for the second violation, and any subsequent violations will increase by an additional \$25.00 (e.g., third violation would be \$50.00, fourth violation \$75.00 and so forth). North Gualala proposes that the MWCP's fines be cumulative during a calendar year and that they be reset on January 1st of each year. The advantage of having cumulative fines versus a fixed fine amount is that it increases the severity of the penalty for multiple water use violations during the year.

On August 11, 2014, the Commission approved by AL 92-W Southern California Edison's (SCE) mandatory water rationing and curtailment program for Santa Catalina Island requiring customers to curtail water use by 25% from their base water use. The enforcement of SCE's water rationing program consists first of a written warning to customers for not reducing the required water consumption. The second time the customer does not comply with rationing the utility will install a flow restrictor for a minimum of three days on the customer's service line. Customers must pay a \$200 fee for the removal of the device in addition to a \$25 fine. Under SWRCB's DEWC regulation water providers can assess fines up to \$500 each day for water use violations. Considering the fine and fee amounts imposed under SCE's water rationing program and SWRCB's DEWC regulation, Division finds North Gualala's proposed fine of \$25.00 for water use violations too low of an amount to discourage customers from violating the MWCP's and DEWC regulation water use restrictions. Division therefore recommends that the fine amount be increased from \$25.00 to \$50.00 per water use violation. Division agrees with North Gualala's proposed MWCP's fine structure of incrementally increasing the fines for multiple water use violations and having them reset each calendar year as described in Appendix A, Section E of this resolution. In this case the fines would increment by \$50.00 (e.g., second violation would be \$50.00, third violation \$100.00, fourth violation \$150.00 and so forth). Accordingly, Division recommends approval of the fine structure component of the MWCP with an increased fine amount of \$50.00 per water use violation.

Compliance with Water Use Restrictions

¹¹ Id.

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When the MWCP measures are in effect, North Gualala staff will monitor customers' compliance with the water use restrictions by conducting weekly drive-by patrols of its entire service area at a frequency of at least once in seven days. The patrols will be conducted during regular business hours (Monday through Friday from 8:00 am to 5:00 pm), and North Gualala staff will respond to reports from the public of customers violating the water use restrictions within four (4) hours of receiving the report, except when the company's staff is engaged in a full-crew project at the time the report is received. If and when North Gualala's staff observes a water use violation they will document the date, time, nature of violation, and any customer contact information in a log and will provide the customer a copy of the citation. In the event the customer is not present, North Gualala's field staff will leave a door tag with the logged information, and the company's office staff will follow-up with a phone call to the customer. While North Gualala's proposed patrolling of its service area for water use violations will not fully deter customers from violating the water use restrictions, Division finds the proposed patrolling strategy reasonable for a company its size with limited staff and resources. North Gualala may also rely on community reporting for its enforcement of the water use restrictions.

When a customer receives a fine for a water use violation, North Gualala proposes to collect amount due for the fine(s) through the customer's water bill as a separately identified line item. All monies collected for water use violation fines will be recorded in North Gualala's MWCMA for future Commission disposition. Division finds the proposed method for collecting fines through customers' water bills reasonable given that the company can use the procedures contained in its Tariff Rule 11, Discontinuance and Restoration of Service, to ensure the payment of MWCP's fines.

Mandatory Water Conservation Memorandum Account

As explained in AL 83-W-A, North Gualala seeks authority to establish a MWCMA to record monies collected from water use violation fines and expenses associated with implementation of the MWCP for future Commission disposition. North Gualala's request is consistent with the drought procedures adopted by Res. W-4976 for water conservation and mandatory rationing programs which allows water utilities to establish a memorandum account to track expenses and monies collected through water use violations, including lost revenues resulting from reduced water sales for utilities with no Water Revenue Adjustments Mechanism (WRAM).¹² Accordingly, Division finds North Gualala's request for authority to establish the MWCMA reasonable. Division also recommends that North Gualala be granted the authority to track incremental costs, not previously authorized in its GRC, associated with implementation of the MWCP for future Commission disposition. However, all

¹² Standard Practice U-40-W, pg. 12.

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incremental costs associated with implementation of the MWCP recorded in the MWCMA are subject to reasonableness review prior to amortization of these costs.

Consistent with the drought procedures adopted by Res. W-4976 North Gualala may also track lost revenues from reduced water sales resulting from implementing the MWCP. Given that no specific methodology for the lost revenue computation is provided in the drought procedures, Division recommends that North Gualala use the average water sales for the prior three years as a baseline to compare the water sales during the same time period(s) with and without mandatory conservation in effect for the lost revenues computation. The amortization of lost revenues should follow the procedure specified in SP U-40-W, which requires the utility to subtract from the balance a revenue requirement amount equal to 20-basis points in the utility's most recent adopted return on equity (ROE). Since North Gualala is a Class C water utility and does not have an adopted ROE, the 20-basis points should be based on the company's most recently adopted ROR.

State Water Resources Control Board Drought Emergency Water Conservation Regulation

On July 15, 2014 the SWRCB approved the DEWC regulations¹³ to ensure water agencies and state residents increase water conservation in urban settings or face possible fines or other enforcement. Section 864 of the DEWC regulation prohibits the use of potable water:1) to water outdoor landscaping in a manner that causes excess runoff onto adjacent property, non-irrigated areas, private and public walkways, roadways, parking lots, or structures; 2) to wash a motor vehicle with a water hose that is not equipped with a shut-off nozzle or device; 3) to wash down driveways and sidewalks; and 4) for water fountains or other decorative features, unless the water is re-circulated.

The DEWC regulations also provide the authority to assess fines of up to five hundred dollars (\$500) for each day in which the violation occurs of the water use restrictions listed above.

Based on Division's review of the DEWC regulations, these apply to all water suppliers in the state, including North Gualala. North Gualala should therefore ensure that its customers comply with the water use restrictions imposed by the DEWC regulations until these restrictions are lifted. Division recommends that North Gualala monitor compliance with DEWC regulations' water use restrictions in the same manner it will monitor compliance with the MWCP measures and apply the same MWCP fine amount(s), structure and process (as specify in sections E and F in Appendix A of this resolution) to assess and collect fines for violations with the DEWC regulations' water use restrictions. Since the DEWC regulations do not provide any guidance on how water suppliers should recover the additional costs associated with the implementation

¹³ Id.

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the regulations, Division recommends that North Gualala be granted the authority to record costs and monies collected for fines associated with the enforcement of the DEWC regulations' water restrictions in its MWCMA for future Commission disposition.

COMPLIANCE

The utility has been filing annual reports as required and has no outstanding water quality violations, or other compliance matters.

COMMENTS

Public Utilities Code section 311(g)(1) requires that a draft resolution be served on all parties, and be subject to a public review and comment period of 30 days or more, prior to a vote of the Commission on the resolution.

A draft of this resolution was distributed for comment to the utility and other interested parties on August 12, 2014, informing these parties that this draft resolution is available for public comment.

One comment letter was received questioning the rationale for imposing a ten minute time limit for outdoor irrigation systems and no time limit for outdoor irrigation when done with a water hose equipped with a shut-off nozzle in the MWCP's mandatory water use restriction No. 9 contained in section D of Appendix A of this resolution. Furthermore, the customer requests that the time limit be increased for the use of soaker hoses which the customer has installed for its outdoor irrigation which require longer time periods for irrigating but done less frequently. On the first issue Division agrees that the same time limit should apply to outdoor irrigation with a water hose equipped with a shut-off nozzle. Division therefore has modified MWCP's water use restriction No. 9 accordingly. Regarding the use of soaker hoses for outdoor irrigation, Division investigated the recommended amount of time for this type of irrigation method and found that the times range from 10 up to 40 minutes depending on region, soil type(s), and types of plants or vegetables being irrigated. However, considering that the use of soaker hoses as well as drip irrigation systems are more efficient methods of outdoor irrigating by conserving water, Division recommends that a 15-minute time limit be allowed for these types of systems. Division therefore has incorporated this modification into the MWCP's water use restriction No. 9.

FINDINGS

1. By Advice Letter (AL) 83-W, filed on February 13, 2013, North Gualala Water Company (North Gualala) proposed a Staged Mandatory Water Conservation and

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- Rationing Plan (SMWCRP) with mandatory water rationing and water use restrictions with penalties for non-compliance under Tariff Rule and Schedule 14.1.
2. North Gualala 's proposed SMWCRP is part of the water supply contingency plan required by the State Water Resources Control Board 's (SWRCB) Order WR 2009-0036 to comply with the water use restrictions imposed on the two water wells located near the North Fork Gualala River per water rights permit 14853.
 3. Resolution (Res.) W-4976 adopted water conservation and rationing procedures for Class A and B Commission regulated water utilities which are contained in Standard Practice (SP) U-40-W, Procedures for Water Conservation, Rationing and Service Connection Moratoria.
 4. As required by Res. W-4976 a public meeting was held on April 25, 2013 at North Gualala's business office to discuss and provide an overview of the company's proposed SMWCRP.
 5. Approximately fifty-one (51) customers attended the public meeting and most customers expressed concerns about the water rationing component of the program and their inability to further reduce their water use to meet the required rationing percentage amounts due to their relatively low water usage.
 6. Analysis of North Gualala's customers' water usage data from 2008 to 2013 indicates that customers have already reduced their water use from 170 to 126 gallons or by 26.11% per day per service connection during this period.
 7. Based on the 2013 water usage data on average North Gualala's customers used approximately 50 gallons per capita per day (gpcd) compared to baseline water use of 160 gpcd reported by the California Department of Water Resources (DWR) in its California Water Plan Update 2013 report for customers in the northern California coastal region where the Gualala community is located. This water usage level approximates the amount of water required to meet public health standards.
 8. A mandatory rationing type of program may not be suitable for the North Gualala community due to their current low water use.
 9. On November 25, 2013 North Gualala filed supplemental AL 83-W-A with a revised Mandatory Water Conservation Program (MWCP) without a rationing component but with mandatory water use restrictions on "non-essential" water uses and fines for violating those restrictions.

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10. By AL 83-W-A North Gualala also requested authority to establish a Mandatory Water Conservation Memorandum Account (MWCMA) to record monies collected from water use violation fines and incremental costs associated with the implementation of the MWCP measures.
11. One comment letter was filed on AL 83-W by the SWRCB objecting to the program trigger for implementing North Gualala's proposed SMWCRP.
12. Staff from SWRCB collaborated in the development of the company's revised MWCP and program trigger issue raised by SWRCB in its protest has been resolved and is no longer an issue for the MWCP and should be dismissed.
13. North Gualala's MWCP mandatory water use restrictions on "non-essential" water uses included in Appendix A of this resolution with the modification to limit the number of days allowed for outdoor irrigation to no more than two days per week are consistent with those provided in Appendix B of Standard Practice U-40-W and the SWRCB's recently adopted Drought Emergency Water Conservation regulations and should be approved
14. Division finds North Gualala's proposal to activate and de-activate the MWCP through a Tier 1 AL filing reasonable.
15. The MWCP measures will be activated and de-activated when the water flow levels at the North Fork Gualala River reach the specified levels in Appendix A, Section A of this resolution.
16. Division finds North Gualala's notification method and process for notifying customers that the MWCP measures have been activated reasonable and should be adopted.
17. North Gualala should notify customers that the MWCP measures have been de-activated in the same way that the MWCP was activated.
18. North Gualala in communications with its customers regarding the MWCP and on its website should inform customers about the availability of water saving kits and other water saving measures.
19. Division finds the proposed MWCP's structure and process for assessing and collecting fines for water use violations reasonable and should be adopted.
20. Division finds North Gualala's proposed MWCP fine amount of \$25.00 per water use violation too low to discourage customers from violating the MWCP's water

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use restrictions and recommends increasing the fine amount to \$50.00 per water use violation.

21. Division finds North Gualala's proposed approach for monitoring customers' compliance with the MWCP's water use restrictions reasonable and should be adopted.
22. North Gualala's request for authority to establish a MWCMA to track monies collected from water use violations and MWCP expenses not previously authorized through the company General Rate Case resulting from implementing the MWCP is reasonable and should be granted.
23. In accordance with Res. W-4976, North Gualala may record in its MWCMA lost revenues resulting from reduced water sales from implementation of its MWCP for future Commission disposition.
24. North Gualala should use the average water sales for the prior three years as a baseline to compare the water sales during the same time period(s) with and without mandatory conservation in effect for its lost revenues computation that may result from implementation of its MWCP.
25. North Gualala's amortization of lost revenues should subtract from the balance a revenue requirement amount equal to 20-basis points from the utility's most recently adopted Rate of Return (ROR).
26. The utility has been filing annual reports as required and has no outstanding water quality violations, or other compliance matters.
27. One customer letter was filed on the draft resolution questioning the rationale for imposing a ten minute time limit for outdoor irrigation systems and no time limit for outdoor irrigation when done with a water hose equipped with a shut-off nozzle in the MWCP's mandatory water use restriction No. 9 in section D of Appendix A of this resolution. The customer also requested that the time limit be increased for the use of soaker hoses for outdoor irrigation.
28. Division finds it reasonable to also apply the ten minute time limit for outdoor irrigation with water hose equipped with a shut-off nozzle and to set a 15-minute time limit for outdoor irrigation with soaker hoses and drip irrigation systems. Division has incorporated these modifications into the MWCP's mandatory water use restriction No. 9.

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29. North Gualala's MWCP under Tariff Rule and Schedule 14.1 and MWCMA included in Appendix A and B of this resolution should be adopted.
30. North Gualala should file a supplemental AL within 30 days from the effective date of this Resolution to add the revised Tariff Rule and Schedule 14.1 to its tariffs and the MWCMA to its preliminary statement.
31. The SWRCB's Drought Emergency Water Conservation (DEWC) regulations apply to all water suppliers in the state including North Gualala.
32. North Gualala should comply with the DEWC regulations by enforcing the water use restrictions on an on-going basis, until the restrictions are lifted.
33. North Gualala should monitor compliance with DEWC regulations' water use restriction in the same manner it will monitor compliance with the MWCP measures and apply the same MWCP fine amount(s), structure and process detailed in sections E and F in Appendix A of this resolution to assess and collect fines associated with the enforcement of the DEWC regulations.
34. North Gualala should be granted the authority to book incremental costs and monies collected for fines associated with the enforcement of the SWRCB's DEWC regulations' water restrictions in its MWCMA for future Commission disposition.
35. This resolution is not precedential for other investor-owned water utilities.

THEREFORE IT IS ORDERED THAT:

1. North Gualala Water Company's Mandatory Water Conservation Program under Tariff Rule and Schedule 14.1 included in Appendix A of this Resolution is approved.
2. North Gualala Water Company's Mandatory Water Conservation Memorandum Account included in Appendix B of this Resolution to track monies collected from water use violations, incremental expenses, and lost revenues associated with the implementation of the authorized Mandatory Water Conservation Program is approved.
3. North Gualala Water Company is authorized to file a supplemental Advice Letter within 30 days from the effective date of this Resolution to add Tariff Rule and Schedule 14.1 to its tariffs and concurrently cancel its existing Rule 14.1, and add to its tariffs preliminary statement the authorized Mandatory Water Conservation Memorandum Account.

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4. North Gualala Water Company shall comply with the State Water Resources Control Board Drought Emergency Water Conservation regulations by enforcing the water use restrictions contained in the regulations on an on-going basis, until the restrictions are lifted.
 - a. North Gualala Water Company shall monitor compliance with Drought Emergency Water Conservation regulations' water use restriction in the same manner it monitors compliance with the Mandatory Water Conservation Program measures and shall apply the same MWCP fine amount(s), structure, and process detailed in sections E and F in Appendix A of this resolution to assess and collect fines for violations with the regulations' water use restrictions.
 - b. North Gualala Water Company shall record the incremental costs and monies collected for fines for water use violations from the enforcement of the Drought Emergency Water Conservation regulations' water use restrictions in its Mandatory Water Conservation Memorandum Account.

This resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on September 11, 2014; the following Commissioners voting favorably thereon:

PAUL CLANON
Executive Director

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APPENDIX A

TARIFF RULE AND SCHEDULE No. 14.1

MANDATORY WATER CONSERVATION PROGRAM

A. PURPOSE

This tariff schedule provides the criteria that will trigger a request by North Gualala Water Company (NGWC) to the California Public Utilities Commission (Commission) to implement its Mandatory Water Conservation Program (MWCP) measures in accordance with the State Water Resources Control Board's (SWRCB) Order WR 2009-0036-EXEC (SWRCB Order) to comply with minimum water flow restrictions for the North Fork Gualala River as set forth in NGWC's water right Permit 14853 (Application 21883). This tariff schedule will go into effect when the average daily flow rate¹⁴ in the North Fork Gualala River as measured at USGS gaging station #11467553 (North Fork Gualala River Above South Fork Gualala River Near Gualala, CA) falls to the following flow rates:

41 cubic feet (cfs) at any time from November 15th through February 29th;

21 cfs at any time from March 1st through May 31st; and

4.25 cfs at any time from June 1st through November 14th.

After MWCP measures go into effect, they will stay in effect until the average daily flow rate (calculated as indicated in footnote 1) in the North Fork Gualala River, as measured at the USGS gaging station #11467553, rises above the flow rates for the first two seasonal periods and to 4.50 cfs flow rate level in the third seasonal period listed above.

NGWC would also implement its MWCP measures when certain conditions exist that reduce its ability to supply normal customer demands, such as earthquakes, fires, floods, nature-caused events, and facility breakdowns and other infrastructure failures.

B. APPLICABILITY

1. This schedule applies to all water customers served by NGWC when the MWCP measures are in effect as described in section B.2 below.
2. This schedule shall remain dormant until activated by NGWC through a Tier 1 advice letter filing subject to Commission disposition under General Order 96-B,

¹⁴ The daily flow calculation will be based on the 15-minute flow data reported on the USGS web site. For consistency with the USGS methodology daily flow will be computed as a weighted average of 15-minute values from 0:00 to 24:00, with the readings at 0:00 to 24:00 each given a half weighting.

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General Rules Rule 7.6.1, and shall remain in effect until NGWC files a Tier 1 advice letter to deactivate the this schedule.

C. TERRITORY

This schedule is applicable within NGWC's service area.

D. MANDATORY WATER USE RESTRICTIONS

The following water use restrictions shall be mandatory when NGWC's MWCP is in effect and are subject to the penalties provided in section E of this schedule:

1. Use of water from any public hydrant for any purpose besides fire protection or prevention.
2. Use of water through any connection when the utility has directed the customer in writing to repair a broken or defective plumbing, sprinkler, watering or irrigation system and the customer has failed to make such repairs within 5 business days after receipt of such notice.
3. Use of water that results in flooding or runoff in gutters, waterways, patios, driveways, or streets.
4. Use of water for washing aircraft, cars, buses, boats, trailers or other vehicles, unless such washing is necessary for the repair or maintenance of the vehicle. Use of watering this manner shall only be done with a positive shut-off nozzle on the outlet end of the hose.
5. Use of water through a hose for washing buildings, structures, sidewalks, walkways, driveways, patios, parking lots, tennis courts, or other hard-surfaced areas, unless such use is necessary for public safety and no other reasonable means (e.g. sweeping of walkways and driveways) will suffice.
6. Use of water for street cleaning with water trucks, except for initial wash-downs for construction purposes (if street sweeping is not feasible), and except when necessary to protect the health and safety of the public.
7. Use of water for construction purposes, such as consolidation of backfill, road construction, dust control, or other uses, unless no other source of water or other method can be reasonably used.
8. Use of water for new landscaping in connection with any new construction during the current mandatory conservation period. Until the mandatory conservation period ends, any landscaping installed before the next wet season (first substantial rain event (greater than 1") after November 1st) shall be comprised of local drought resistant plants, with the expectation that such plantings will need little or no water until natural precipitation occurs.
9. Use of water to irrigate outside plants, lawn, landscape, and turf areas more often than two times a week. Even-numbered addresses shall be allowed to irrigate such areas only on even-numbered days of the month, and odd-numbered addresses shall be allowed to irrigate such areas only on odd-numbered days of the month, except

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that this provision will not apply to commercial nurseries and other water-dependent businesses where such restrictions would cause substantial financial hardship to the business. To increase efficiency of water use, any irrigation shall be limited to the hours of midnight to 9 AM and 8 PM to midnight on the designated even or odd day.

Automated irrigation systems shall be programmed to limit the time that each irrigation station operates to no more than 10 minutes. The 10-minute time limit also applies if irrigation is done manually using a hand-held hose, however, the hose must be equipped with a positive shutoff nozzle. A 15-minute time limit applies if irrigating with soaker hoses or water drip systems. For any use of these methods, excessive irrigation that causes running water on surfaces outside of the irrigated area shall be deemed wasteful use and subject to fines.

10. Use of water for decorative fountains or to fill or top off decorative lakes or ponds, except for decorative fountains, lakes, or ponds that use recycled water.
11. Use of water to fill or refill swimming pools, unless curtailment of such filling or refilling could result in damage to the pool.
12. Service of water by any restaurant to customers except when the customers ask for water.
13. Operation of commercial car washes unless at least 50% of the potable water used per cycle is recycled.

E. WATER USE VIOLATION FINE

1. Upon activation of this schedule, if a customer violates any of the water use restrictions listed in Section D above, then the customer will be subject to the following fine structure:

First violation:	Written warning
Second violation:	\$50.00 fine
Subsequent violations:	Previous fine plus \$50.00 (e.g. third violation would be \$100.00, fourth violation would be \$150.00 and so forth)

Fines for “subsequent violations” shall be cumulative during the calendar year and shall reset on January 1st of each year. NGWC may waive fines for multiple violations if it is warranted.

2. Water use violation fines will be in addition to all regular rate schedule charges.

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F. MONITORING WATER USE VIOLATIONS

During mandatory water conservation periods, NGWC staff will conduct weekly drive-by patrols such that the entire service area is observed at a frequency of at least once in 7 days (i.e. the patrols may cover portions of the service area over multiple days). During normal business hours (Monday through Friday, 8 am to 5 pm), NGWC will respond to reports of water wasting received from the public within 4 hours of receiving a report, barring emergencies, federal holidays, and during periods when the entire NGWC field staff is engaged on a full-crew project at the time the report is received. Observation of any of the activities set forth in Section D of schedule will be considered an unauthorized use of water under this MWCP subject to penalties as specified in Section E. NGWC field staff will note the date, time, nature of violation, and any customer contact information in a log. If the customer is not present, NGWC field staff will leave a door tag summarizing the foregoing information, and NGWC office staff will follow-up with a phone call to the customer.

G. SPECIAL CONDITIONS

1. Water use violation fines will be separately identified on each affected customer's bill.
2. All bills are subject to the reimbursement fee set forth on Schedule No. UF.
3. All monies collected by NGWC through water use violation fines shall not be accounted for as income and will be recorded in NGWC's Mandatory Water Conservation Memorandum Account (MWCMA).

I. PUBLICITY

1. NGWC shall notify its customers that mandatory water conservation measures have been activated as follows (these measures are mandatory):
 - Same day posting on the NGWC website in a conspicuous and easily understood format; and
 - A phone call to each customer shall be made within 24 hours if the effective time is Monday 12 am through Friday 12 pm; or by the following Monday at 12 pm if effective time is Friday 12 pm through Monday 12 am.

After the foregoing mandatory notification measures have been taken, NGWC may employ supplemental means to further notify its customers that mandatory water conservation measures are in effect, including follow-up telephone calls, bill insert, special mailing, poster, flyer, newspaper, television or radio spot/ advertisement, community bulletin board, or other appropriate methods.

2. NGWC shall also notify its customers that mandatory water conservation measures have been de-activated using the same process and method in section I.1. above.

(END OF APPENDIX A)

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APPENDIX B

PRELIMINARY STATEMENT

I. Mandatory Water Conservation Memorandum Account (MWCMA) (N)

Per the authority granted by Res. W-5002 NGWC will use this account to track:

- a. monies collected from water use violation fines associated with it Mandatory Water Conservation Program (MWCP);
- b. incremental costs, not previously authorized in NGWC's General Rate Case, associated with implementation of MWCP; and
- c. lost revenues resulting from reduced water sales resulting from implementing MWCP using a baseline for the lost revenue calculation based on the average water sales for the prior three years during the same time period with and without mandatory conservation. The amortization of lost revenue shall subtract from the balance 20-basis points from NGWC's most recently adopted Rate of Return.
- d. incremental costs and monies collected for fines for water use violations associated with the enforcement of the State Water Resource Control Board's (SWRCB) Drought Emergency Water Conservation (DEWC) regulations under California Code of Regulations, title 23, sections 863,864, and 865.

All incremental costs associated with the implementation of the MWCP and the enforcement of the SWRCB's DEWC regulations are subject to reasonableness review by the CPUC prior to amortization of these costs. All activities recorded in this account are subject to audit by the CPUC.

(END OF APPENDIX B)

CERTIFICATE OF SERVICE

I certify that I have by either electronic mail or postal mail, this day, served a true copy of Proposed Resolution No. W-5002 on all parties in these filings or their attorneys as shown on the attached lists.

Dated August 12, 2014 at San Francisco, California.

/ s/ DANIEL SONG

Daniel Song

Parties should notify the Division of Water and Audits, Fourth Floor, California Public Utilities Commission, 505 Van Ness Avenue, San Francisco, CA 94102, of any change of address to ensure that they continue to receive documents. You must indicate the Resolution number on which your name appears.

NORTH GUALALA WATER COMPANY

ADVICE LETTER NO. 83-W-A

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